

Summary of HR 2634

The Jubilee Act for Responsible Lending and Expanded Debt Cancellation of 2008

HR 2634, the Jubilee Act for Responsible Lending and Expanded Debt Cancellation of 2008, builds on the immensely successful debt relief efforts begun more than a decade ago to provide debt relief for the world's poorest countries as an essential component in the overall effort to help alleviate the poverty and misery that exists in many parts of the world.

The legislation instructs the Secretary of Treasury to commence multilateral negotiations for an agreement within the international financial institutions (such as the World Bank and the International Monetary Fund) and the Paris Club of bilateral creditors to cancel the debt of up to 24 of the world's poorest countries that can only receive aid from the International Development Association arm of the World Bank, based on relative poverty and lack of creditworthiness.

To be eligible for debt relief under this Act, these additional low-income nations, which do not qualify under current debt relief programs, must meet specific conditions outlined in the bill. These conditions include a require that governments foster transparent and participatory policies to achieve poverty reduction through economic growth; ensure sound budget procedures, good governance and effective anticorruption measures; and produce and disclose to the public an annual report disclosing how the savings from debt cancellation were used. To benefit, countries would also have to engage interested parties, including a broad cross-section of civil society groups, in the spending allocation process and produce an annual report on this spending and make it publicly available. Countries would be excluded from receiving the debt cancellation under the Jubilee Act if they:

- have an excessive level of military expenditures;
- have repeatedly provided support for acts of international terrorism;
- fail to cooperate on international narcotics control matters; or
- engage in a consistent pattern of gross human rights violations

H.R. 2634 would bring debt relief within the reach of virtually all of the world's poorest countries. While the IDA-only criterion for eligibility under the bill will capture some countries with relatively low levels of external debt, all of these countries are ones with very high levels of poverty, and thus they need to maximize the amount of resources that they can marshal to promote human development and move toward the millennium development goals for reducing poverty.

The legislation also requires the Secretary to promote within the international community transparent lending processes and responsible financing policies for the benefit of debtor nation.

This legislation only provides authorization for the Secretary of the Treasury to commence efforts to negotiate a multilateral agreement on debt cancellation, but it does not authorize the implementation of any agreement. Since Congress would have to approve any future agreement that might be reached to cancel bilateral and multilateral debts, CBO estimates that enacting HR 2634, by itself, would have no budgetary impact.

The legislation also expresses the Sense of the Congress that to further the goals of debt reduction for low-income countries, in addition to the efforts described in this Act, the United States should pay off outstanding arrearages of \$595.8 million to the multilateral development banks and debt reduction efforts.